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**ARIZONA CORPORATION
COMMISSION**

March 24, 2014

Mr. Kyle J. Smith
Regulatory Law Office (JALS-RL/IP)
Office of the Judge Advocate General
U.S. Army Legal Service Agency
9275 Gunston Road
Fort Belvoir, Virginia 22060-5546

Arizona Corporation Commission

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RE: Docket E-01345A-10-0394, E-01345A-12-0290, E-01933A-12-0296, & E-04204A-12-0297 - Track and Record and Potential Alternatives

Dear Mr. Smith:

My office received an invitation to attend the groundbreaking ceremony for the Fort Huachuca Renewable Energy Project scheduled for April 25th. The invitation states that the project “supports the Army’s efforts to achieve one gigawatt of renewable energy by 2025”.

As noted in a fact sheet accompanying the invitation, Tucson Electric Power (TEP) “will fund, own and operate the solar PV project, and has contracted with industry partner E.ON for the system’s design, engineering, procurement and construction management.” Please note that both the invitation and its accompanying fact sheet are enclosed and have been docketed with this correspondence.

The Army’s Energy Initiatives Task Force (EITF) stated that the project, made possible largely because of the EITF’s efforts, promotes collaboration and is able to deploy large-scale renewable projects by leveraging private financing.

What I find noteworthy is that TEP will maintain ownership of the renewable energy credits (RECs) that derive from the Fort Huachuca solar project. Yet, the project’s fact sheet states that the Fort Huachuca project “promotes both the Army’s energy security objectives **and** the utility’s renewable energy goals.” (emphasis added). In other words, the Army is counting the energy produced from the installation toward meeting its renewable energy goal, yet the Army does not own the RECs associated with the energy from the installation.

It appears, therefore, that while TEP owns the RECs generated from the Fort Huachuca project, the Army is still able to claim its success toward achieving its goal of one gigawatt of renewable energy by 2025.

As you are aware, the Arizona Corporation Commission (ACC) is currently grappling with a vexing problem regarding compliance with our Renewable Energy Standard Tariff (REST) Rules. In most, but not all, cases the utilities own the RECs associated with the service territory. In order for the utility to be able to show all such renewable energy, a 'Track and Record' system was suggested and many public meetings were held to find a solution.

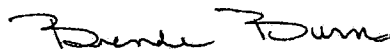
At one meeting, a 'Track and Record' ACC hearing held on June 3, 2013, you stated, "DOD/FEA's main concern is with maintaining the integrity of the RECS". You posited a hypothetical, involving the Department of Veterans Affairs (VA) that if the Commission tried to ascertain how much renewable energy was being produced on Arizona's electric grid then "the VA would no longer be able to use its RECs to meet its federal requirement."

The Department of Defense cautioned against the ACC allowing a utility to count renewable energy, which is in Arizona, toward meeting its renewable energy standard if the utility does not own the REC associated with that energy. Some, including the DOD, have described this as an unworkable 'double counting' situation.

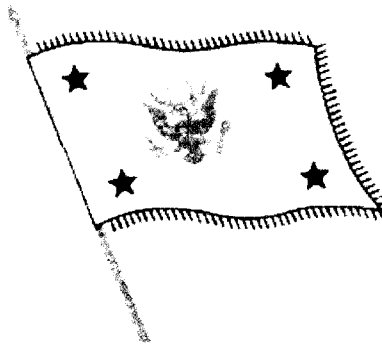
I think it is significant, however, that the DOD is apparently comfortable with the Army counting kWh from the Fort Huachuca project in lieu of REC ownership. The Army's agreement with TEP seems to be a win-win for all involved and it appears to align with the original 'Track and Record' system which was proposed to the Commission for its consideration a year ago. Yet, it seems inconsistent with your testimony on June 3, 2013.

The ability to count either RECs or kWh toward renewable energy goals, as the Army intends to do with the Fort Huachuca project, could be a good solution. I would appreciate any response you might give which could be helpful to my further consideration of our deliberations.

Sincerely,

A handwritten signature in black ink, appearing to read "Brenda Burns", with a stylized, cursive script.

Brenda Burns
Commissioner



**The Honorable Katherine Hammack
Assistant Secretary of the Army (Installations, Energy and Environment),
on behalf of the
Army Energy Initiatives Task Force and Fort Huachuca**

**requests the pleasure of your company at the
Groundbreaking Ceremony
for the Army's largest solar energy project**

**on Friday, the twenty-fifth of April
two thousand and fourteen
at nine o'clock in the morning**

**Thunder Mountain Activity Centre
Fort Huachuca, Arizona**

R.S.V.P. by 2 April 2014
POC: Army Energy Initiatives Task Force

Military: Duty Uniform
Civilian: Business Casual

[Click Here to R.S.V.P.](#)

Attachments:

Fort Huachuca Renewable Energy Project Fact Sheet

This fact sheet provides information regarding the Fort Huachuca solar renewable energy project and installation information.

FORT HUACHUCA

RENEWABLE ENERGY PROJECT

EITF, Fort Huachuca, GSA, TEP and E.ON develop comprehensive, cost-effective approach for new Fort Huachuca Solar PV Project

The Fort Huachuca renewable energy project in southern Arizona reflects the Army's commitment to enhance mission effectiveness and provide a sustained, comprehensive strategy for energy security. The solar photovoltaic (PV) array is anticipated to exceed the largest solar project in the Department of Defense and is expected to be more than 18 megawatts (MW) in size.

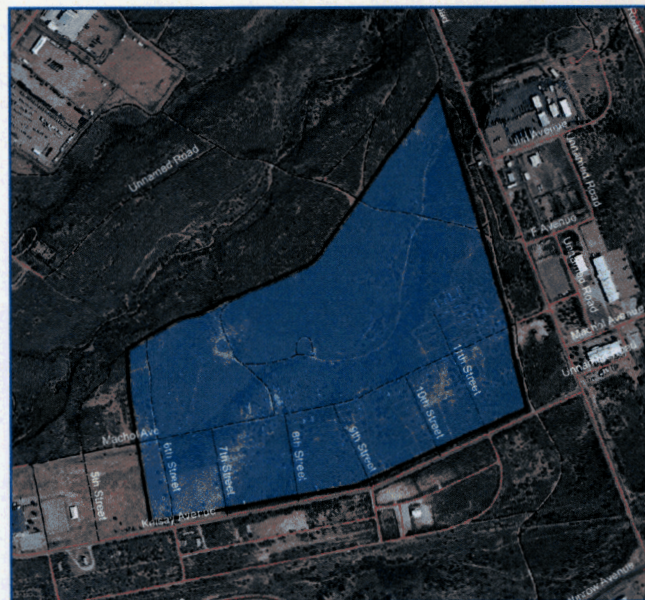
This project has established a new path for an innovative partnering opportunity between the military, other federal agencies, private industry and the utility provider. It promotes both the Army's energy security objectives and the utility's renewable energy goals. The project also leverages a seven-decade relationship between Fort Huachuca and Tucson Electric Power Company (TEP).

The Army Energy Initiatives Task Force (EITF), Fort Huachuca, General Services Administration (GSA), TEP and its developer E.ON Climate & Renewables (E.ON), are key contributors in supporting the Army's goal of deploying one gigawatt (GW) of renewable energy by 2025.

The groundbreaking ceremony will take place at 9 a.m. MST on April 25 at Fort Huachuca's Thunder Mountain Activity Centre.

Proposed Project

- The Army identified a 155-acre parcel of land in the cantonment area on Fort Huachuca available for the development of this solar PV project; the initial system footprint will be approximately 68 acres.



- TEP will fund, own and operate the solar PV project, and has contracted with industry partner E.ON for the system's design, engineering, procurement and construction management.
- As the utility provider, TEP is uniquely positioned to streamline the interconnection process through the TEP-owned Fort Huachuca substation, thereby reducing interconnection costs and improving system reliability.
- The National Environmental Policy Act completion date is March 2014.
- The project will utilize the existing GSA Area-wide Public Utility contract; and TEP will provide electric service at Arizona Corporation Commission approved rates.
- The Army and TEP will enter into a 30-year easement to facilitate the project.

March 2014



FORT HUACHUCA RENEWABLE ENERGY PROJECT

About EITF

The Army EITF was created to centrally manage, develop and execute large-scale renewable energy projects, 10 MW or greater, leveraging private financing. Renewable energy produced on Army installations increases energy security and provides a means to temper rising energy costs. It also contributes to the flexibility of the electricity system and its resistance to central shocks. The EITF has eight projects in the contracts and acquisition phase with a potential capacity of over 175 MW of energy. For more information on EITF renewable energy projects, visit www.armyeitf.com.

About Fort Huachuca

- Located in Sierra Vista, Ariz., 75 miles southeast of Tucson and 15 miles from the U.S.-Mexico border, Fort Huachuca's main and auxiliary installation properties cover 100,539 acres. It also manages 964 square miles of restricted air space and 2,575 square miles of electronic ranges.
- Maintains, operates or oversees more than 5.5 million square feet of operational facilities, more than 1,000 family housing units, three remote airstrips and three accommodation schools. Libby Army Airfield's 12,001-foot concrete runway is the centerpiece of the Army's sixth busiest continental U.S. airfield.
- Supports more than 50 one-of-a-kind tenants and missions with national-level requirements, including: unmanned aircraft systems training and operations, military intelligence and cyber security. Fort Huachuca is home to the U.S. Army Intelligence Center of Excellence, Network Enterprise Technology Command, Electronic Proving Ground, Joint Interoperability Test Command, Communications Electronics Command and Information Systems Engineering Command.
- Fort Huachuca is a vital national asset supporting joint and interagency teams with critical aviation, intelligence, signal and cyber enablers. Located in close proximity to joint strike capabilities, Fort Huachuca is strategically positioned to support complex mission command operations and exercises.

Installation peak electricity demand is approximately 23 MW.

About GSA

GSA oversees the business of the U.S. federal government. GSA's acquisition solutions supply federal purchasers with cost-effective, high-quality products and services from commercial vendors. GSA provides workplaces for federal employees, and oversees the preservation of historic federal properties. Its policies covering travel, property and management practices promote efficient government operations.

About TEP

TEP, a subsidiary of UNS Energy Corporation (NYSE: UNS), provides safe, reliable power to 413,000 customers in Southern Arizona. An industry leader in renewable energy, TEP is on track to develop more than 225 MW of solar generating capacity by the end of 2014, enough to meet the annual electric needs of 45,000 homes. This success has earned TEP repeated recognition among the Solar Electric Power Association (SEPA) Top 10 Utility Solar Rankings, as well as the honor of being named SEPA's 2012 Investor Owned Utility of the Year. For more details, visit www.tep.com.

About E.ON

E.ON is one of the world's largest investor-owned power and gas companies. E.ON's diversified business consists of renewables, conventional and decentralized power generation, natural gas, energy trading, and retail and distribution. With its broad energy mix, E.ON owns almost 68 GW of generation capacity and is one of the world's leading renewables companies.

